

AMENDED IN ASSEMBLY JUNE 22, 2006

AMENDED IN ASSEMBLY JUNE 19, 2006

**SENATE BILL**

**No. 257**

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**Introduced by Senator Chesbro**

(Principal coauthor: Assembly Member Ridley-Thomas)

February 15, 2005

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An act to *amend Section 50909 of*, to add Section 51050.1 to, and to add Chapter 6.3 (commencing with Section 51312) to Part 3 of Division 31 of, the Health and Safety Code, relating to housing and community development.

LEGISLATIVE COUNSEL'S DIGEST

SB 257, as amended, Chesbro. Special needs housing.

Existing law creates the California Housing Finance Fund in the State Treasury, and authorizes the transfer of construction loan funds to the construction lender or to the contractor as necessary to meet draws for progress payments pursuant to rules and regulations of the California Housing Finance Agency. Existing law prescribes the powers and duties of the agency with regard to providing loans and subsidizing housing for persons and families of low or moderate income and authorizes the agency to utilize federal subsidies available to provide housing for those families and persons.

This bill would additionally authorize the agency to make loans to finance affordable housing, including residential structures, housing developments, multifamily rental housing, special needs housing, as defined, and other forms of housing permitted by provisions regulating housing and community development. The bill would authorize the agency, in addition to any other power conferred pursuant to specified laws governing housing and community

development, to issue revenue bonds, in accordance with specified requirements, for the purpose of financing the acquisition, construction, rehabilitation, refinancing, or development of special needs housing, as defined.

*Existing law requires the agency to be administered by a board of directors, and requires the board to determine the compensation for the executive director of the agency. Existing law prohibits the compensation for the executive director to exceed the salary of the Secretary of the Business, Transportation and Housing Agency.*

*This bill would also require the board to determine the compensation for all key exempt management, as prescribed, and would remove the limitation on the executive director's compensation as it relates to the salary of the Secretary of the Business, Transportation and Housing Agency. This bill would require the board to establish the compensation in the agency's annual budget, and would require the Department of Personnel Administration to review the board's methodology in establishing the compensation.*

Vote: majority. Appropriation: no. Fiscal committee: yes.  
State-mandated local program: no.

*The people of the State of California do enact as follows:*

1     SECTION 1. The Legislature finds and declares all of the  
2     following:

3     (a) There is a shortage of housing and related supportive  
4     services for persons with special needs, including persons with  
5     mental illnesses. These persons are at substantial risk of  
6     homelessness. Financing special needs housing is particularly  
7     difficult because this housing will not support large amounts of  
8     conventional long term debt. The California Housing Finance  
9     Agency (CalHFA) has substantial expertise and experience in  
10    leveraging conventional financing with other secondary sources  
11    of financing, to facilitate the development of affordable housing.

12    (b) Financing special needs housing, as well as efficiently  
13    leveraging other funds available for this purpose, is complex and  
14    involves significant financial risks. CalHFA has the management,  
15    financial, and legal expertise to structure the transactions and to  
16    manage these risks over a long term. The ability of CalHFA to  
17    effectively and efficiently provide this special needs financing  
18    requires amendments to the agency's statutes, including clear

1 authority for the agency to issue bonds to raise capital for  
2 tax-exempt and taxable loans to finance special needs projects.

3 (c) The provision of additional financing through CalHFA  
4 provides significant advantages to the state. CalHFA is  
5 financially independent from the State of California. Its bond  
6 obligations are not a debt or liability of the state, nor does it  
7 require a pledge of the full faith and credit of the state. CalHFA  
8 is a self-supporting entity, and raises all of its capital from  
9 private investors through the issuance of bonds.

10 (d) CalHFA's high quality credit rating depends in significant  
11 part on ratings agency and investor confidence in the ability of  
12 the management of the agency. Credit ratings agencies evaluate  
13 the expertise and effectiveness of CalHFA management in  
14 connection with the agency's issuer credit rating. CalHFA's  
15 current issuer rating specifically recognizes that CalHFA has  
16 experienced significant difficulty in attracting and retaining key  
17 management personnel as a result of compensation that is  
18 significantly less than is offered by other comparable housing  
19 finance agencies. The continued ability of the agency to meet its  
20 duties to bondholders, to maintain its high credit rating, and to  
21 manage the risk of complex real estate finance transactions such  
22 as those contemplated in this act, depends substantially on the  
23 ability of the agency to attract and retain key executive  
24 management over the long term.

25 (e) CalHFA must operate as a professional, self-supporting  
26 financial institution. Each fiscal year, the CalHFA Board of  
27 Directors (board) of the agency enacts a business plan, including  
28 an operating budget containing salaries. This act enables the  
29 board to attract and retain key personnel by clarifying the  
30 board's authority to establish compensation for key executive  
31 and management positions. This compensation will be  
32 competitive with that of other comparable state and local  
33 housing finance entities, according to salary survey methodology  
34 reviewed by the Department of Personnel Administration.

35 SEC. 2. Section 50909 of the Health and Safety Code is  
36 amended to read:

37 50909. ~~The~~ (a) Notwithstanding Sections 19816 and 19825  
38 of the Government Code, the compensation of key exempt  
39 management, including the executive director, the chief deputy  
40 director, the general counsel, the director of financing, the

1 *director of homeownership programs, the director of multifamily*  
2 *programs, the director of insurance and the financial risk*  
3 *management director shall be established by the board in the*  
4 *agency's annual budget, in an amount amounts which is are*  
5 *reasonably necessary, in the discretion of the board, to attract and*  
6 *hold a person of superior qualifications. However, the salary of*  
7 *the executive director shall not exceed the salary of the Secretary*  
8 *of the Business, Transportation and Housing Agency. Members*  
9 *To determine the compensation for the positions described in this*  
10 *section, the agency shall conduct salary surveys of both of the*  
11 *following:*

12 *(1) Other state and local housing finance agencies that are*  
13 *most comparable to CalHFA.*

14 *(2) Other relevant labor pools.*

15 *(b) The Department of Personnel Administration shall review*  
16 *the methodology used in these salary surveys.*

17 *(c) Members of the board shall not receive a salary but shall be*  
18 *entitled to a per diem allowance of one hundred dollars (\$100)*  
19 *for each day's attendance at a meeting of the board or a meeting*  
20 *of a committee of the board, not to exceed three hundred dollars*  
21 *(\$300) in any month, and reimbursement for expenses incurred in*  
22 *the performance of their duties under this part, including travel*  
23 *and other necessary expenses.*

24 ~~SECTION 1.~~

25 *SEC. 3. Section 51050.1 is added to the Health and Safety*  
26 *Code, to read:*

27 *51050.1. The agency may make loans to finance affordable*  
28 *housing, including residential structures, housing developments,*  
29 *multifamily rental housing, special needs housing, and other*  
30 *forms of housing permitted by this part.*

31 ~~SEC. 2.~~

32 *SEC. 4. Chapter 6.3 (commencing with Section 51312) is*  
33 *added to Part 3 of Division 31 of the Health and Safety Code, to*  
34 *read:*

35  
36 CHAPTER 6.3. SPECIAL NEEDS HOUSING

37  
38 *51312. (a) The primary purpose of this chapter is to provide*  
39 *an additional method of financing special needs housing.*

1 (b) (1) For purposes of this chapter, “special needs housing”  
2 means any housing, including supportive housing, intended to  
3 benefit, in whole or in part, persons identified as having special  
4 needs relating to any of the following:

5 (A) Mental health or physical disabilities.

6 (B) The risk of homelessness.

7 (C) Identified any similar related special housing need.

8 (2) Special needs housing shall also include housing intended  
9 to meet the housing needs of persons eligible for mental health  
10 services funded in whole or in part by the Mental Health Services  
11 Fund, created by Section 5890 of the Welfare and Institutions  
12 Code.

13 51313. The exercise of the powers granted by this chapter  
14 shall be in all respects for the benefit of the people of this state  
15 and for their health and welfare. Therefore, any bonds issued by  
16 the agency, pursuant to this chapter, their transfer, and the  
17 income therefrom shall at all times be free from taxation by the  
18 state or any political subdivision or other instrumentality of the  
19 state, excepting inheritance and gift taxes.

20 51314. Subject only to the limitations of this chapter, the  
21 agency may, in addition to any other power conferred by this  
22 part, issue revenue bonds as provided in Chapter 7 (commencing  
23 with Section 51350) for the purpose of financing the acquisition,  
24 construction, rehabilitation, refinancing, or development of  
25 special needs housing, and for the provision of capital  
26 improvements in connection with, and determined necessary to,  
27 such housing.

28 51315. Subject only to the limitations prescribed in this  
29 chapter, the agency, in addition to any other power conferred by  
30 this part with respect to housing, may make or undertake  
31 commitments to make loans to finance the acquisition,  
32 construction, rehabilitation, refinancing, or development of  
33 special needs housing. For this purpose, the agency may enter  
34 into regulatory contracts and other agreements with the owners or  
35 operators of that housing to ensure compliance with this chapter.

36 51316. Subject only to the limitations prescribed in this  
37 chapter and the projected availability of grant or other revenues  
38 to repay any revenue bonds issued pursuant to this chapter, the  
39 agency, in addition to any other power conferred by this part with  
40 respect to housing, may make or undertake commitments to

1 make grants to pay the costs of the acquisition, construction,  
2 rehabilitation, refinancing, or development of special needs  
3 housing. For this purpose, the agency may enter into regulatory  
4 contracts and other agreements with the owners or operators of  
5 the housing to ensure compliance with this chapter.

6 51317. Subject only to the limitations prescribed in this  
7 chapter, the agency, in addition to any other power conferred by  
8 this part, may purchase, or undertake, directly or indirectly  
9 through lending institutions, commitments to purchase,  
10 construction loans, mortgage loans, or other types of loans  
11 originated in accordance with a financing agreement with the  
12 agency to finance the acquisition, construction, rehabilitation,  
13 refinancing, or development of special needs housing, and for the  
14 provision of capital improvements in connection with, and  
15 determined necessary to, such housing.

16 51318. For the purposes of this chapter, the agency shall have  
17 the power to issue its bonds to defray, in whole or in part, the  
18 costs of studies and surveys, insurance premiums, underwriting  
19 fees, legal, accounting and marketing services incurred in  
20 connection with the issuance and sale of bonds, including bond  
21 and operating reserve accounts, trustee, custodian, and rating  
22 agency fees, and such other costs as are reasonably related to the  
23 foregoing.

24 51319. This chapter constitutes a complete, additional, and  
25 alternative method to issue bonds to finance the costs of special  
26 needs housing.